

**LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT**

**DECEMBER 31, 2013**

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

Baton Rouge, Louisiana

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05483.000 Audit 12/31/2013 1100.001 financial report

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisiana Local Governmental Facilities and Community Development Authority (a Quasi-Public organization) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of Louisiana Local Government Environmental Facilities and Community Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Buuck*

Lake Charles, Louisiana  
June 26, 2014

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2013

The following is management's discussion and analysis of the financial performance of Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority"). It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, including notes to the financial statements.

The mission of the Authority is "to provide economic development, infrastructure, and environmental facilities; to assist political subdivisions in constructing, extending, rehabilitating, repairing, and renewing infrastructure and environmental facilities; and to assist in the financing of such needs by political subdivisions of this state."

**FINANCIAL HIGHLIGHTS**

The Authority's total assets decreased \$70,085, and unrestricted net position decreased by \$50,247.

Cash decreased \$32,859.

Total operating revenue decreased \$298,755, primarily due to program termination income, which decreased \$372,500.

Total expenses increased \$18,599.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

An explanation of the financial statements is as follows:

Statements of net position:

This statement presents the assets, liabilities and net position of the Authority as of December 31, 2013.

Statements of revenues, expenses, and changes in fund net position:

This statement presents the results of the Authority's operations and changes in fund net position during the years ended December 31, 2013.

Statements of cash flows:

This statement reflects the cash inflows and outflows that had a direct impact on the cash account for 2013.

Notes to the financial statements:

The notes provide additional information that is essential to a complete understanding of the data presented in the financial statements.

#### FINANCIAL ANALYSIS

##### Statements of Net Position December 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total assets	\$ 9,097,823	\$ 9,167,908	\$ 8,867,612
Liabilities	\$ 56,869	\$ 66,017	\$ 68,320
Net position	<u>9,040,954</u>	<u>9,101,891</u>	<u>8,799,292</u>
Total liabilities and net position	\$ 9,097,823	\$ 9,167,908	\$ 8,867,612

##### Statements of Revenues, Expenses, and Changes in Fund Net Position Years Ended December 31, 2013, 2012, and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 449,660	\$ 748,415	\$ 1,428,334
Operating expenses	<u>574,542</u>	<u>555,943</u>	<u>531,283</u>
Operating income (loss)	(124,882)	192,472	897,051
Other revenue	<u>63,945</u>	<u>110,127</u>	<u>6,533</u>
Change in net position	\$ (60,937)	\$ 302,599	\$ 903,584

#### REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Louisiana Local Government Environmental Facilities and Community Development Authority, 729 Spain Street, Baton Rouge, Louisiana 70802.



LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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STATEMENT OF NET POSITION  
December 31, 2013

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 9,061,808
Prepaid expenditures	<u>10,777</u>
Total current assets	9,072,585
FIXED ASSETS, NET	<u>25,238</u>
Total assets	<u>\$ 9,097,823</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 1,768
Other liabilities	<u>55,101</u>
Total current liabilities	<u>56,869</u>
NET POSITION	
Net investment in capital assets	25,238
Unrestricted	<u>9,015,716</u>
	<u>9,040,954</u>
Total liabilities and net position	<u>\$ 9,097,823</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
Year Ended December 31, 2013

REVENUE	
Issuer fees	\$ 163,660
Application fees	1,000
Program administration fees	160,000
Program termination income	<u>125,000</u>
Total revenue	<u>449,660</u>
EXPENSES	
Professional fees	20,961
Other	19,956
Salaries	269,076
Employee benefits	62,192
Board per diem	30,441
Insurance	57,767
Management fees, dues, and subscriptions	2,952
Depreciation	10,690
Member relations	42,744
Outsourced services	450
Telephone	11,578
Rent	34,548
Travel	<u>11,187</u>
Total expenses	<u>574,542</u>
Operating (loss)	<u>(124,882)</u>
OTHER REVENUE	
Interest income	3,355
Miscellaneous income	<u>60,590</u>
Total other revenue	<u>63,945</u>
Change in net position	(60,937)
Net position, beginning of year	<u>9,101,891</u>
Net position, end of year	<u>\$ 9,040,954</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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STATEMENT OF CASH FLOWS  
Year Ended December 31, 2013

Cash flows from operating activities:	
Receipts from operations	\$ 449,660
Receipts from other sources	63,945
Payments to employees and employee-related costs	(361,709)
Payments for other operating expenses	<u>(184,755)</u>
Net cash provided by operating activities	(32,859)
Cash flows from investing activities	<u>-</u>
Net (decrease) in cash	(32,859)
Cash, beginning of year	<u>9,094,667</u>
Cash, end of year	<u>\$ 9,061,808</u>
Reconciliation of change in net position to net cash provided by operating activities:	
Change in net position	\$ (60,937)
Adjustments to reconcile change in net position to net cash provided by operating activities:	
Depreciation	10,690
Change in operating assets and liabilities:	
Prepaid expenses	26,536
Accounts payable	(6,790)
Other liabilities	<u>(2,358)</u>
Net cash (used in) operating activities	<u>\$ (32,859)</u>

The accompanying notes are an integral part of this statement.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

Note 1. Summary of Significant Accounting Policies

A. BACKGROUND AND FINANCIAL STATEMENT PRESENTATION

The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") was created by Louisiana Legislature R.S. 33.4548. The Authority, which is a political subdivision of the State of Louisiana, was created for the purpose of assisting political subdivisions in constructing, extending, rehabilitating, repairing, and renewing infrastructure, economic development and environmental facilities, and assisting in the financing of such needs by political subdivisions. Membership consists of municipalities, parishes, school boards and special districts.

The Authority has no taxing power and receives no appropriation from the State of Louisiana or any government body. Bonds issued by the Authority are limited obligations of the Authority, payable only from income, receipts and assets pursuant to trust indentures related to each bond issue. Accordingly, these financial statements include only the financial position and activities of the Authority and are not intended to include or present assets, liabilities or activities of various bond issues.

B. BASIS OF ACCOUNTING

The Authority is considered an enterprise fund and, accordingly, uses the accrual method of accounting.

The Authority's financial statements include a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows. It is required that the Authority's net position be reported into three components: net investment in capital assets, restricted, and unrestricted. These components are defined as follows:

- *Net investment in capital assets.* This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted.* This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted.* This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets".

#### C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### D. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Authority had no cash equivalents for the year ended December 31, 2013.

#### E. FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for fixed assets are as follows:

Vehicles	5 years
Computer equipment	3 - 5 years
Office equipment	5 - 7 years

Expenditures for major repairs and improvements of property and equipment are capitalized. Expenditures for maintenance and minor repairs are charged to expense as incurred.

#### F. COMPENSATED ABSENCES

<u>Year's Service</u>	<u>Vacation</u>
0-4	10 days/year
5-14	15 days/year
15-19	20 days/year
20 or more	25 days/year

Employees accrue one working day of sick leave for each month of service. There is no maximum on accumulated sick leave.

Employees may accumulate vacation and sick leave time without limitation; however, only vacation leave is payable upon resignation, discharge, death, retirement, or removal due to reduction in force. Payment for vacation leave is limited to 300 hours under all circumstances. If an employee works until retirement eligibility, the accumulated unused sick leave is combined with vacation leave and applied toward retirement years.

#### G. ISSUER, APPLICATION AND PROGRAM FEES

The Authority receives non-refundable issuer, application and program fees related to bond financing programs issued through the Authority. The Authority recognizes issuer, application, and program fees as income when the respective bond programs are funded and the fees are earned.

Note 2. Fixed Assets

A summary of fixed assets, additions, retirements, and balances is as follows:

	Balance December 31, 2012	Additions	Retirements	Balance December 31, 2013
Vehicles	\$ 37,544	\$ -	\$ -	\$ 37,544
Computer equipment	9,925	-	-	9,925
Office equipment	<u>30,109</u>	<u>-</u>	<u>-</u>	<u>30,109</u>
	<u>77,578</u>	<u>-</u>	<u>-</u>	<u>77,578</u>
Less accumulated depreciation:				
Vehicles	10,012	7,509	-	17,521
Computer equipment	6,978	1,407	-	8,385
Office equipment	<u>24,660</u>	<u>1,774</u>	<u>-</u>	<u>26,434</u>
	<u>41,650</u>	<u>10,690</u>	<u>-</u>	<u>52,340</u>
Total fixed assets, net	<u>\$ 35,928</u>	<u>\$ (10,690)</u>	<u>\$ -</u>	<u>\$ 25,238</u>

Depreciation expense was \$10,690 for the year ended December 31, 2013.

Note 3. Multi-Employer Pension Plan

The Authority's full-time employees participate in Plan A of the Municipal Employee's Retirement System of Louisiana (the "Plan"), a multi-employer municipal employee retirement system. The Authority's payroll for its employees covered by the Plan was \$265,431, \$264,183 and \$233,617 for the years ended December 31, 2013, 2012 and 2011, respectively.

Plan description:

The Authority contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employees' Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members

of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Authority is a member of plan "A" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2013.

All employees of the Authority are required to participate in the Plan if they are under the age of 60, are full-time employees, and are not participating in another publicly funded retirement system. An employee is eligible for retirement provided he or she meets one of the following criteria: 1) any age with 25 or more years of credited service, or 2) age 60 with a minimum of 10 years of credited service. Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation multiplied by his years of creditable service, not to exceed 100% of the member's final salary. Employees become fully vested after 10 years of service. The Plan also provides survivors and disability benefits. Covered employees are required to contribute a percentage of their salary to the Plan (the rate is determined by the Plan and can fluctuate). The current contribution rate for employees is 9.5% and the contribution rate for the Authority is 18.75%. The contributions required for the Authority for the years ended December 31, 2013, 2012 and 2011 were \$52,715, \$54,922, and \$54,493, respectively, which consisted of \$47,371, \$44,265, and \$42,812 from the Authority and \$5,344, \$10,657 and \$11,681 from the employees.

Note 4. Lease

The Authority leases its premises under a net, non-cancellable operating lease which expires January 31, 2015. Current monthly rental payments amount to \$1,350. Future minimum lease payment obligations for this lease are as follows:

2014	\$ 14,850
2015	<u>1,350</u>
	<u>\$ 16,200</u>



Rent expense for the year ended December 31, 2013 was \$34,548.

Note 5. Cash and Cash Equivalents

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it.

The Authority maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Authority's bank demand and time deposits at year end were not fully collateralized.

The deposits at December 31, 2013 are as follows:

December 31, 2013	<u>Demand Deposits</u>
Carrying amount	\$ <u>3,047,413</u>
Bank balances:	
a. Federally insured	\$ 500,000
b. Collateralized by securities held by the pledging financial institution	1,750,000
c. Uncollateralized and uninsured	<u>797,413</u>
Total bank balances	\$ <u>3,047,413</u>

Included in cash on the balance sheet is \$6,039,001 held in a sweep investment account. Investments of this nature are authorized under LA RS 33:2955 and are not required to be collateralized.

Note 6. Subsequent Events

The Authority evaluated all subsequent events through June 26, 2014, the date the financial statements were available to be issued. As a result, the Authority noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Directors  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Louisiana Local Government Environmental Facilities and Community Development Authority (a Quasi-Public organization), as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Louisiana Local Government Environmental Facilities and Community Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Local Government Environmental Facilities and Community Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of audit findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of audit findings and responses to be material weaknesses. (13-1, 13-2, 13-3, 13-4, and 13-5)

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Louisiana Local Government Environmental Facilities and Community Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of audit findings and responses as items 13-3 and 13-4.

#### **The Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Buick*

Lake Charles, Louisiana  
June 26, 2014

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
Year Ended December 31, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified?

☒ Yes ☐ No

Significant deficiency identified not  
considered to be material weakness?

☐ Yes ☒ None reported

Noncompliance material to financial statements  
noted?

☒ Yes ☐ No

(continued on next page)

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
December 31, 2013

13-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: The LCDA concurs with this recommendation. Management has implemented supervision and review procedures in accordance with accounting standards when feasible given the size of the Authority and its resources.

13-2 Controls over Financial Reporting

Condition: In our judgment, the Entity's personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements, including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

December 31, 2013

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend that management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: The Authority concurs with this recommendation. Management has implemented supervision and review procedures to correct this weakness.

13-3 Deposits in Excess of Federally Insured Amounts

Condition: Deposits in excess of federally insured amounts were not fully collateralized at year end.

Criteria: Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value.

Effect: Without adequate collateral, the deposits are subject to deposit risk.

Recommendation: Management should ensure that all deposits in excess of federally insured amounts are collateralized.

Response: The Authority recognizes this finding. The issue was resolved immediately by the new Executive Director upon his start in April, 2014.



LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
December 31, 2013  
(Continued)

13-4 Misappropriation of Funds

Condition: For the year ended December 31, 2013, we noted that public funds were used by the former Executive Director of the Authority to make a payment to Lexus Financial Services in the amount of \$41,846.38. The Authority did not have any debt to Lexus Financial Services at that time, nor did the Authority receive any goods or services as a result of this payment. This amount was later reimbursed by the former Executive Director. We also noted charges on the credit card under the control of the former Executive Director that appeared to be personal in nature. Charges of \$15,052 on this credit card included cash advances, balance transfers, fees, meals and other charges that appear to be personal in nature. The former Executive Director made payments to the credit card directly and to the Authority as restitution.

The Louisiana Legislative Auditor and the Baton Rouge District Attorney were notified of these issues by the Authority.

Criteria: Article VII, Section 14 of the 1974 Louisiana Constitution states that no property or things of value shall be loaned, pledged or donated to any person.

Effect: The former Executive Director of the Authority may have violated Article VII, Section 14 of the 1974 Louisiana Constitution.

Recommendation: The Authority should initiate controls to ensure that such practices will not occur in the future.

Response: The Authority recognizes this finding. On December 19, 2013, the Executive Committee of the Board of Directors of the Authority voted unanimously to dismiss the Executive Director and Assistant Director, to engagement a forensic auditor, and put in place new management, which occurred in April, 2014. The Authority notified the Louisiana Legislative Auditor and the Baton Rouge District Attorney of their actions. New management has implemented changes to the Authority bank accounts and credit cards to ensure such misappropriations do not occur in the future. The forensic audit is expected to be completed in the final quarter of 2014.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

December 31, 2013

(Continued)

13-5 Supporting Documentation

Condition: Charges to the Authority's credit card, under the control of the former Executive Director, did not contain sufficient supporting documentation, including original invoices, to adequately determine business purpose. For 2013, these charges included meals, cellular plans, cash advances, balance transfers and finance charges totaling approximately \$16,099.

Criteria: Expenditures of the Authority should have sufficient supporting documentation in order to properly determine business purpose, reasonableness and proper approval.

Effect: Without proper and sufficient administrative oversight and controls, misuse of public funds can potentially occur.

Recommendation: The Authority should obtain and retain sufficient supporting documentation for all expenditures, whether paid by check or credit card, to demonstrate business purpose.

Response: The Authority recognizes this finding. Management has implemented/revised the following to address this: 1) all known existing credit cards in the Authority's name have been cancelled (with one exception used exclusively for office supplies), 2) receipts and invoices are required before payment or reimbursement can be made, 3) detailed accounting of all income and expenses are included in the Board packet monthly, and 4) dual signatures are required on all checks for payment.

LOUISIANA LOCAL GOVERNMENT ENVIRONMENTAL FACILITIES  
AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES  
December 31, 2013

Findings - Financial Statement Audit

None